

REDWOOD TRUST INC
Form 10-Q
May 07, 2015
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UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended: March 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____.
Commission File Number 1-13759

REDWOOD TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

68-0329422

(I.R.S. Employer
Identification No.)

One Belvedere Place, Suite 300

Mill Valley, California

(Address of Principal Executive Offices)

94941

(Zip Code)

(415) 389-7373

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
o No x

Common Stock, \$0.01 par value per share

84,257,726 shares outstanding as of May 4, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REDWOOD TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)

(Unaudited)	March 31, 2015	December 31, 2014
ASSETS ⁽¹⁾		
Residential loans, held-for-sale, at fair value	\$1,094,885	\$1,342,519
Residential loans, held-for-investment, at fair value ⁽²⁾	2,304,870	2,056,054
Commercial loans, held-for-sale, at fair value	54,407	166,234
Commercial loans, held-for-investment (includes \$72,619 and \$71,262 at fair value)	405,935	400,693
Real estate securities, at fair value	1,285,243	1,379,230
Mortgage servicing rights, at fair value	120,324	139,293
Cash and cash equivalents	303,820	269,730
Total earning assets	5,569,484	5,753,753
Restricted cash	725	628
Accrued interest receivable	17,970	18,222
Derivative assets	30,546	16,417
Deferred securities issuance costs	14,302	16,050
Other assets	182,992	113,896
Total Assets	\$5,816,019	\$5,918,966
LIABILITIES AND EQUITY ⁽¹⁾		
Liabilities		
Short-term debt	\$1,502,164	\$1,793,825
Accrued interest payable	14,319	8,503
Derivative liabilities	68,064	58,331
Accrued expenses and other liabilities	60,135	52,244
Deferred tax liability	10,237	10,236
Asset-backed securities issued (includes \$1,239,065 and \$0 at fair value) ⁽²⁾	1,353,021	1,545,119
Long-term debt (includes \$68,707 and \$66,707 at fair value)	1,550,869	1,194,567
Total liabilities	4,558,809	4,662,825
Equity		
Common stock, par value \$0.01 per share, 180,000,000 shares authorized; 83,748,621 and 83,443,141 issued and outstanding	837	834
Additional paid-in capital	1,779,777	1,774,030
Accumulated other comprehensive income	135,640	140,688
Cumulative earnings	931,396	906,867
Cumulative distributions to stockholders	(1,590,440)	(1,566,278)
Total equity	1,257,210	1,256,141
Total Liabilities and Equity	\$5,816,019	\$5,918,966

Our consolidated balance sheets include assets of consolidated variable interest entities (“VIEs”) that can only be used to settle obligations of these VIEs and liabilities of consolidated VIEs for which creditors do not have (1)recourse to the primary beneficiary (Redwood Trust, Inc.). At March 31, 2015 and December 31, 2014, assets of consolidated VIEs totaled \$1,716,563 and \$1,900,208, respectively, and liabilities of consolidated VIEs totaled \$1,354,298 and \$1,546,490, respectively. See Note 4 for further discussion.

On January 1, 2015, we adopted ASU 2014-13 and began to account for residential loans held-for-investment and asset backed securities issued at consolidated Sequoia entities (which are VIEs) at fair value. At December 31, (2) 2014, amounts presented in residential loans held-for-investment for these assets included \$1,474,386 at historical cost. See Note 3 for further discussion.

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Share Data)

	Three Months Ended		
	March 31, 2015	2014	
(Unaudited)			
Interest Income			
Residential loans	\$25,009	\$12,658	
Commercial loans	10,914	10,384	
Real estate securities	27,775	32,431	
Cash and cash equivalents	48	3	
Total interest income	63,746	55,476	
Interest Expense			
Short-term debt	(7,224) (3,827)
Asset-backed securities issued	(6,202) (8,441)
Long-term debt	(10,535) (6,792)
Total interest expense	(23,961) (19,060)
Net Interest Income	39,785	36,416	
Provision for loan losses	(206) (1,284)
Net Interest Income After Provision			